

## APPENDIX E

### STANDARDS FOR INTERNAL REVIEW WORKING PAPERS

1. Purpose. This Appendix outlines general principles and criteria for preparing internal review working papers. It also includes criteria for-indexing and filing the internal review working papers.

2. Requirements.

a. Documentation of Review Work. The auditor will prepare working papers which clearly show how each review area and step was accomplished. The individual working papers should document purpose, source of information, and details of audit. When a series of working papers are developed for an audit step, the information will be summarized in one of the papers. Summary working papers will be prepared for each major audit segment, organized as follows:

(1) Purpose - Brief statement of what the auditor intended to accomplish by performing the review step(s).

(2) Scope - Description of how far the auditor went in performing the review step(s), e.g. discussions with responsible officials; selectively testing transactions (indicate volume of transactions involved, the number examined, and why these transactions were selected); period covered by the auditor's review, etc.

(3) Work Performed/Results - Narrative with supporting schedules as necessary to show what the auditor did to accomplish objectives and what the auditor found during the review. The information in this section should be factual in nature.

(4) Conclusions - Audit evaluation of area reviewed based upon the results (should tie in to purpose). If deficiencies are noted, this section should include information to support potential finding, such as cause and effect. This section should also document potential monetary or nonmonetary benefits.

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b. Documentation of Findings. Upon completion of the summary working papers, the auditor will determine if there are any reportable findings. If so, the auditor will prepare a separate working paper for each finding documenting the condition, criteria, cause, effect and recommendations with the understanding that cause and effect are optional for compliance objectives (suggested format is shown on Page E-4).

c. Notes on Conferences. The results of each important conference with activity officials, including entrance and exit conferences, should be recorded in the working papers. The record should include all pertinent facts, such as the date, time, place, attendees and a summary of the key areas discussed. It is also critical to document interviews during the survey and examination phases, since this information will be used in planning, performing and reporting on the audit. Each interview will be documented showing date, location, personnel involved, purpose and details of interview. The details section should show the key questions asked and a summary of the responses to each question.

d. Time Records. Each working paper file will contain a record of time expended on the review. This will be in sufficient detail-to serve as a basis for scheduling and planning subsequent reviews and for evaluating internal review performance.

e. Indexing System. The indexing system shown on pages E-11 thru E-16 will be used by IRAC offices to number and arrange the working papers for internal reviews. This system will also be used to the extent possible for follow-up review working papers but may be modified as necessary based upon nature and extent of follow-up work performed.

f. Supervisory Reviews. Reviews by supervisory auditors from all USACE levels will be documented in the working paper files. The district IRAC chief will, as a minimum, prepare a review sheet for inclusion at the front of the working paper package and initial all summary sheets. The major subordinate command and CEO reviews will also be documented by use of a review sheet. A sample review sheet is shown on pages E-5 thru E-10.

3. Responsibilities.

a. Staff Auditors are responsible for ensuring that the working papers are complete, accurate, clear, understandable, legible, neat, logically organized per local guidance, and contain only required material.

b. District Chief is responsible for ensuring that standards for working paper preparation are met and that there is adequate support for the auditor's conclusions and recommendations. Implementing guidelines must be communicated to subordinates and in-process reviews made to check compliance. A final review is to be made and documented by a review sheet (ref. para. 2f) when the audit is completed.

c. Major Subordinate Command Chief is responsible for establishing uniform guidance and reviewing the working paper files during quality assurance visits. The reviews of working papers should be sufficient to form an opinion on their adequacy, professionalism, and compliance with governing regulations, policies and procedures. The District working paper files will be documented to show the major subordinate command review. Audit review guides prepared by the District Chief will be reviewed "after-the-fact" for adequacy.

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DEVELOPMENT OF FINDING .\_\_\_\_\_.

CONDITION: (What Is the Situation That Exists)

CRITERIA: (What Are the Requirements or Expectations)

CAUSE : (Why Did the Condition Occur)

EFFECT : (What Did or Could Result)

RECOMMENDATION(s): (Actions needed to correct immediate problem and to improve procedures and controls to avoid recurrence of the problem in the future)

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REVIEW SHEET

\_\_\_\_\_ District

REVIEWER'S NAME

AUDIT OF:

DATE OF REVIEW:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

POSITION:

\_\_\_\_\_

PAGE OF PAGES

WORKPAPER  
REFERENCE

REVIEWER'S COMMENT

AUDITOR'S  
ACTION

\_\_\_\_\_

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REVIEWER'S STATEMENT ON POST REVIEW ACTIONS TAKEN BY AUDITORS:  
All actions required of auditor by above comments have been  
satisfactory completed.

\_\_\_\_\_  
REVIEWER

\_\_\_\_\_  
POSITION

\_\_\_\_\_  
DATE

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WORKING PAPER CHECKLIST

	YES	NO
A. FILE (EXTERIOR) - IS THE FILE PROPERLY IDENTIFIED TO INCLUDE:		
1. Title of Audit?	_____	_____
2. Audit Assignment Number?	_____	_____
3. Functional Area or Category code?	_____	_____
4. File Number?	_____	_____
B. File (INTERIOR):		
1. GENERAL :		
a. Are the files organized in accordance with the Corps' standard indexing system?	_____	_____
b. Are in-process supervisory reviews performed and documented in file?	_____	_____
c. Are the summary working papers approved by the IRAC Chief?	_____	_____
2. CONTENTS - DOES THE FILE INCLUDE:		
a. Reviewers' Comments?	_____	_____
b. Table of Contents?	_____	_____
c. Draft Report?	_____	_____
d. Audit Guide (Approved by IRAC Chief)?	_____	_____
e. Correspondence, memoranda, and documentation of entrance/exit conferences, in-process reviews, and discussions with audited personnel?	_____	_____
f. Survey plan and working papers?	_____	_____

	YES	NO
g. Summary and detailed working papers for each audit segment?	_____	_____
h. Time records?	_____	_____
3. SURVEY :		
a. Was survey performed and documented?	_____	_____
b. Did auditors obtain copies of mission and function statements, organization charts, policies, directives and SOPs to understand the mission and goals of the organization?	_____	_____
c. Did auditors determine whether other internal reviews or external audits had been performed in the area being reviewed?	_____	_____
d. Were discussions held with activity personnel to identify responsibilities and obtain their concerns about organization operations?	_____	_____
e. Did auditors identify available records and management reports of the audited activity?	_____	_____
f. Did auditors obtain copies of existing internal management control checklists?	_____	_____
g. Were internal management controls documented and evaluated?	_____	_____
h. Were limited tests performed of transactions and computer-processed data when necessary to evaluate compliance with procedures and reliability of data?	_____	_____
i. Was survey work performed in sufficient depth for auditors to become familiar with the activities and controls to be audited and to identify areas for audit emphasis?	_____	_____

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	YES	NO
j. Was a summary working paper prepared showing purpose, scope, work performed, results and conclusions?	_____	_____
k. Does the Conclusions section include "Go/No-Go" decision and if "Go" the review objectives supported by appropriate rationale?	_____	_____
l. Were the survey results discussed with the auditee?	_____	_____
4. AUDIT GUIDE:		
a. Is the audit guide organized as follows: Background, References, Objectives and Review Areas?	_____	_____
b. For each review area (objective or sub-objective), does the audit guide show the steps to be performed to accomplish that portion of the review?	_____	_____
c. Is the nature and scope of work to be performed sufficient to attain the stated audit objectives?	_____	_____
d. Does the audit guide show the projected time frames and staff days to accomplish each objective?	_____	_____
e. Was the audit guide approved by the IRAC Chief prior to initiation of the audit?	_____	_____
5. AUDIT WORKING PAPERS:		
a. Was audit work performed sufficient to accomplish objectives?	_____	_____
b. Did auditors obtain sufficient, competent and relevant evidence to support conclusions, findings, and recommendations?	_____	_____



	YES	NO
c. Did auditors test adherence to identified pertinent laws and regulations?	_____	_____
d. Did auditors perform adequate tests to identify potential fraud, waste or abuse?	_____	_____
e. Do working papers meet the following general guidelines:		
(1) Complete and accurate?	_____	_____
(2) Clear and understandable?	_____	_____
(3) Neat and legible?	_____	_____
f. Does each individual working paper show purpose, source of data and details of audit?	_____	_____
g. Were summary working papers prepared for each objective or sub-objective?	_____	_____
h. Do the summary working papers show purpose, scope, work performed, results and conclusions?	_____	_____
i. Were the following steps performed in developing a finding:		
(1) Identifying the condition as measured against acceptable criteria.	_____	_____
(2) Identifying the causes of the condition (when required).	_____	_____
(3) Determining whether the condition is isolated or widespread.	_____	_____
(4) Determining the effects or significance of the condition (when required).	_____	_____
(5) Identifying lines of authority and responsibility.	_____	_____

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	YES	NO
(6) Identifying and resolving legal questions.	_____	_____
j. Was each finding documented in the working papers?	_____	_____
k. Are monetary benefit analyses being performed and documented for findings and recommendations?	_____	_____
6. CROSS-REFERENCING: As a minimum, are the items in the following list referenced as appropriate:		
a. Working papers to each other?	_____	_____
b. Working papers to audit guide?	_____	_____
c. Audit guide to working papers?	_____	_____
d. Summary sheets to working papers?	_____	_____
e. Summary sheets to draft report?	_____	_____
f. Significant revisions of draft report to supporting working papers?	_____	_____
g. Significant changes between draft and final report to supporting working papers?	_____	_____

OTHER REMARKS:

PREPARED BY:

NAME : \_\_\_\_\_  
TITLE \_\_\_\_\_  
DATE \_\_\_\_\_

CORPS OF ENGINEERS INDEXING SYSTEM  
FOR INTERNAL REVIEW WORKING PAPERS

1. A uniform, logical method of filing and arranging audit working papers is necessary to ensure maximum use of the material, and to facilitate the control and review of audit files and preparation of the audit report. Although a variety of audit types are encountered, the system described below allows flexibility to meet the needs of most audits, and provides the degree of uniformity which is desirable for review and control purposes.

2. The indexing system is designed to follow the chronological sequence of execution of an audit and is adaptable to both single location and multi-location audits. Thus the survey process working papers are filed before the audit report and audit working papers. If there is more than one audit location, location 1 is filed before location 2, etc. If there is a summary report, it is filed after locations 1, 2, etc. Major files will be numbered as follows:

- File I - Includes:
- A. Master Index
  - B. Description of the Indexing Plan
  - C. Announcement Memorandum
  - D. Survey Guide and Time Control
  - E. Summary of Survey Results
  - F. Audit Lead Sheets
  - G. Documentation of Go/No Go Decision
  - H. Survey Working Papers

Survey working papers will be numbered to correspond with survey steps. The working papers for Survey Step 1 will be numbered H-1. If more than one page is required for survey step, use  $\frac{H-1}{1 \text{ of } 3}$ ,  $\frac{H-1}{2 \text{ of } 3}$ , etc. If more than one subordinate

command is involved during the survey, then follow the multi-location guidance in paragraph 3.

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File II - Includes: A. Draft Audit Report (cross referenced )  
B. Management Comments  
c. Final Audit Report (cross referenced if different from draft)  
D. Audit Guide (cross referenced) and Audit Time Control  
E. Correspondence and Conference Notes

File III - Includes: Audit Working Papers - Objective 1

File IV - Includes: Audit Working Papers - Objective 2, and so on.

3. A three digit alpha code should be used to designate the organization if more than one location is involved in the audit. For example, if the Southwestern Division AO performed a multi-location audit, SWG-II would include the Audit Guide etc. for Galveston District, SWA-II would include the Audit Guide etc. for Albuquerque and so on. (If the audit is a single location audit, omit the alpha code since the location will be shown on the folder label.)

4. If more than one folder is needed for a file, number the folders thus: File II, 1 of 3; File II, 2 of 3, etc.

5. The first folder of each major file after File II should include an index titled "Table of Contents". The working papers and material contained in File III and higher will be indexed as follows:

(Table of Contents)

- A. Comments of Working Paper Reviewers.
- B. Summary of Audit Results.
- c. Draft Finding and Recommendations.
- D. Audit Guide Segment for Objective \_\_\_\_\_.
- E. Audit Working Papers

The audit working papers will be numbered to correspond with each step of each objective. Thus the working paper documenting audit work for Audit Step 1 on Objective 1 would be indexed E-1 (the File would be numbered File III). If an audit step is complex and includes sub-steps, number the working papers E-1a, E-1b and so on for sub-steps 1a, 1b, etc. as necessary. If more than one page is required for an audit step, number the pages E-1, E-1, etc.

1 of 3 2 of 3

6. If a file, Table of Contents item, or working paper item is not used, the Index will be annotated "Not Used".

7. The Index number will be recorded in the center at the bottom of the page.

8. Examples A, B, and C provide Pro Forma Tables of Contents for Files I, II, III, etc.

9. When the working papers are cross-referenced to the audit guide, audit report, etc., the annotation will include both the file number and working paper index number.

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EXAMPLE A

TABLE OF CONTENTS - FILE I

	<u>W/P REF</u>
Master Index	A
Description of the Indexing Plan	B
Announcement Letter	C
Survey Guide and Time Control	D
Summary of Survey Results	E
Audit Lead Sheets	F
Documentation of Go/No Go Decision	G
Survey Working Papers	H
Working Paper Title	H-1
Working Paper Title	H-2
Working Paper Title	H-3
Working Paper Title	H-4

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EXAMPLE B

TABLE OF CONTENTS - FILE II

	<u>W/P REF</u>
Draft Audit Report	A
Management Comments	B
Final Audit Report	C
Audit Guide and Audit Time Control	D
Correspondence and Conference notes	E

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EXAMPLE C

TABLE OF CONTENTS - FILES III, IV, V, ETC.

	<u>W/P REF</u>
Comments of Working Paper Reviewers	A
Summary of Audit Results	B
Draft Finding and Recommendations	C
Audit Segment For Objective_____	D
Audit Working Papers	E
Working Paper Title	E-1
Working Paper Title	E-2
Working Paper Title	E-3
Working Paper Title	E-4